

TOWNSHIP OF CHASELL
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

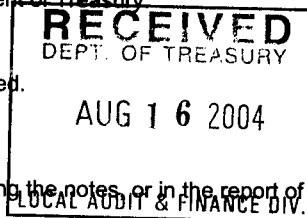
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Chassell Township	County Houghton
Audit Date 3/31/04	Opinion Date 6/16/04	Date Accountant Report Submitted to State: 8/11/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELDEN AVENUE		City HOUGHTON	State MI
Accountant Signature <i>Debbie Bradford</i>		ZIP 49931	Date

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INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Township of Chassell
Chassell, Michigan

We have audited the accompanying general purpose financial statements of the Township of Chassell, as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township does not maintain adequate accounting records relative to its investment in general fixed assets. Accordingly, the general purpose financial statements referred to above do not include financial statements of the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Chassell, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004 on our consideration of the Township of Chassell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Township of Chassell. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, are fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

June 16, 2004



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Township of Chassell
Chassell, Michigan

We have audited the financial statements of the Township of Chassell as of and for the year ended March 31, 2004, and have issued our report thereon dated June 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Township of Chassell's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Township of Chassell's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

June 16, 2004

TOWNSHIP OF CHASSELL

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	Agency	2004	2003
ASSETS AND OTHER DEBITS:						
Cash	\$ 533,809	\$ 150,725	\$ 234,649	\$ -	\$ 919,183	\$ 675,448
Accounts receivable	-	-	23,527	-	23,527	18,304
Taxes receivable	3,740	5,633	-	-	9,373	10,609
Due from other funds	30,341	28,853	31,833	-	91,027	93,485
Restricted assets:						
Cash	-	-	48,033	18,354	66,387	51,593
Fixed assets	-	-	2,921,672	-	2,921,672	2,657,298
Accumulated depreciation	-	-	(1,171,241)	-	(1,171,241)	(1,115,103)
TOTAL ASSETS AND OTHER DEBITS	\$ 567,890	\$ 185,211	\$ 2,088,473	\$ 18,354	\$ 2,859,928	\$ 2,391,634
LIABILITIES:						
Accounts payable	\$ 4,923	-	\$ 50,675	-	\$ 55,598	\$ 3,781
Prepaid service charges	-	-	26,156	-	26,156	24,800
Due to other funds	59,971	12,554	15,656	2,846	91,027	93,485
Due to other governmental units	-	-	-	15,508	15,508	3,770
Current maturities on bond payable	-	-	29,000	-	29,000	17,000
Bonds payable - net of current maturities	-	-	392,000	-	392,000	168,000
Accrued salaries	6,326	43	4,107	-	10,476	4,514
Accrued expenses	317	3	1,541	-	1,861	3,069
Deferred revenue	3,740	5,633	-	-	9,373	10,610
TOTAL LIABILITIES	75,277	18,233	519,135	18,354	630,999	329,029
FUND EQUITY AND OTHER CREDITS:						
Contributed capital	-	-	433,608	-	433,608	453,818
Retained earnings	-	-	1,135,730	-	1,135,730	1,064,180
Fund balance	492,613	166,978	-	-	659,591	540,274
Reserved fund balance	-	-	-	-	-	4,333
TOTAL FUND EQUITY AND OTHER CREDITS	492,613	166,978	1,569,338	-	2,228,929	2,062,605
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 567,890	\$ 185,211	\$ 2,088,473	\$ 18,354	\$ 2,859,928	\$ 2,391,634

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CHASELL
COMBINED STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2004	2003
REVENUES:				
Taxes	\$ 48,482	\$ 69,231	\$ 117,713	\$ 102,100
State	145,623	850	146,473	155,504
Administration and collection fees	14,359	-	14,359	12,239
Charges for services	58,738	-	58,738	58,723
Interest	3,067	1,098	4,165	7,111
Other	25,113	-	25,113	31,711
TOTAL REVENUES	295,382	71,179	366,561	367,388
EXPENDITURES:				
Township Board	11,101	-	11,101	6,737
Supervisor	4,527	-	4,527	4,200
Elections	-	-	-	2,538
Assessor	10,857	-	10,857	9,710
Clerk	10,181	-	10,181	10,153
Board of Review	900	-	900	952
Treasurer	14,853	-	14,853	12,190
Town Hall	35,121	-	35,121	30,134
Cemetery	2,397	-	2,397	2,767
Constable	647	-	647	600
Fire Protection	8,570	49	8,619	19,186
Department of Public Works and streets	27,592	-	27,592	35,547
Sanitation/Garbage	48,307	-	48,307	48,480
Zoning	1,500	-	1,500	1,579
Recreation	17,302	-	17,302	21,959
Other activities	49,412	-	49,412	37,498
Parks and Recreation	-	2,473	2,473	87
Liquor Law Enforcement	-	652	652	607
Road and Street Fund	-	5,140	5,140	102,709
TOTAL EXPENDITURES	243,267	8,314	251,581	347,633
EXCESS OF REVENUES OVER EXPENDITURES	52,115	62,865	114,980	19,755
OTHER FINANCING SOURCES (USES):				
Gain on sale of investments	-	-	-	1,503
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	52,115	62,865	114,980	21,258
FUND BALANCE, BEGINNING OF YEAR	440,498	104,113	544,611	523,353
FUND BALANCE, END OF YEAR	\$ 492,613	\$ 166,978	\$ 659,591	\$ 544,611

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CHASELL
COMBINED STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE
Year Ended March 31, 2004

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:						
Taxes	\$ 48,900	\$ 48,482	\$ (418)	\$ 62,000	\$ 69,231	\$ 7,231
State	154,000	145,623	(8,377)	500	850	350
Administration and collection fees	12,200	14,359	2,159	-	-	-
Charges for services	56,000	58,738	2,738	-	-	-
Interest	4,000	3,067	(933)	8,450	1,098	(7,352)
Other	13,900	25,113	11,213	2,000	-	(2,000)
TOTAL REVENUES	289,000	295,382	6,382	72,950	71,179	(1,771)
EXPENDITURES:						
Township Board	13,100	11,101	1,999	-	-	-
Supervisor	4,350	4,527	(177)	-	-	-
Elections	7,000	-	7,000	-	-	-
Assessor	10,600	10,857	(257)	-	-	-
Clerk	12,310	10,181	2,129	-	-	-
Board of Review	1,700	900	800	-	-	-
Treasurer	16,550	14,853	1,697	-	-	-
Town Hall	34,500	35,121	(621)	-	-	-
Cemetery	5,150	2,397	2,753	-	-	-
Constable	600	647	(47)	-	-	-
Fire Protection	9,900	8,570	1,330	2,550	49	2,501
Department of Public Works and streets	39,000	27,592	11,408	-	-	-
Sanitation/Garbage	53,000	48,307	4,693	-	-	-
Zoning	2,500	1,500	1,000	-	-	-
Recreation	24,100	17,302	6,798	-	-	-
Other activities	57,950	49,412	8,537	-	-	-
Parks and Recreation	-	-	-	25,100	2,473	22,627
Liquor Law Enforcement	-	-	-	620	652	(32)
Road and Street Fund	-	-	-	40,300	5,140	35,160
TOTAL EXPENDITURES	292,310	243,267	49,042	68,570	8,314	60,256
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (3,310)	52,115	\$ 55,424	\$ 4,380	62,865	\$ 58,485
FUND BALANCE, BEGINNING OF YEAR		440,498			104,113	
FUND BALANCE(DEFICIT), END OF YEAR		\$ 492,613			\$ 166,978	

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CHASELL
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2004

	Proprietary Fund Type	Totals (Memorandum Only)	
	Enterprise	2004	2003
OPERATING REVENUES:			
State	\$ 9,330	\$ 9,330	\$ -
Charges for services	169,565	169,565	171,502
Connection fees	780	780	720
Other	12,297	12,297	7,079
TOTAL OPERATING REVENUES	191,972	191,972	179,301
EXPENSES:			
Salaries	36,437	36,437	31,709
Employee benefits	11,423	11,423	8,369
Supplies, materials, and other	850	850	1,512
Office supplies	3,377	3,377	2,978
Utilities	9,730	9,730	6,028
Printing and publishing	1,877	1,877	652
Insurance	5,403	5,403	4,564
Repairs and maintenance	3,640	3,640	4,309
Professional services	1,975	1,975	4,289
Contracted services	330	330	554
Depreciation	56,137	56,137	54,920
Miscellaneous	2,070	2,070	2,823
TOTAL EXPENSES	133,249	133,249	122,707
OPERATING INCOME	58,723	58,723	56,594
NON-OPERATING REVENUES (EXPENSES):			
Interest income	1,718	1,718	3,264
Interest expense	(9,100)	(9,100)	(10,714)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(7,382)	(7,382)	(7,450)
NET INCOME	51,341	51,341	49,144
RETAINED EARNINGS, BEGINNING OF YEAR	1,064,180	1,064,180	994,827
ADJUSTMENTS TO FUND EQUITY:			
Add depr on F/A acq w/ contributed capital	20,209	20,209	20,209
RETAINED EARNINGS, END OF YEAR	\$ 1,135,730	\$ 1,135,730	\$ 1,064,180

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CHASELL
COMBINED STATEMENTS OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2004

	Totals	
	(Memorandum Only)	
	2004	2003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 58,723	\$ 54,067
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	56,137	57,447
(Increase) Decrease in accounts receivable	(5,223)	(1,451)
(Increase) Decrease in due from other funds	18,167	0
Increase (Decrease) in accounts payable	48,852	922
Increase (Decrease) in due to other funds	(73,332)	35,057
Increase (Decrease) in accrued expenses	1,250	(683)
Increase (Decrease) in prepaid charges	1,356	(1,173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	105,930	144,186
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	254,000	0
Reductions of long-term debt	(18,000)	(46,000)
Interest paid on long-term debt	(9,100)	0
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	226,900	(46,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(264,374)	(104,169)
Interest on investments and deposits	1,718	3,264
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(262,656)	(100,905)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	70,174	(13,433)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	212,508	225,941
CASH AND RESTRICTED CASH, END OF YEAR	\$ 282,682	\$ 212,508

The accompanying notes to financial statements are an integral part of this statement.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

The Township of Chassell, Michigan, was organized in 1888. The Township operates under an elected board of five members. In accordance with NCGA Statements 3 and 7, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Chassell conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the Township of Chassell contain all of the Township's funds. There are no other governmental units within the Township that are controlled by, or dependent upon, the Township's Board of Trustees. Control by, or dependence on the Township, was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Road Improvement, Fire Protection, Park and Recreation, and Liquor Law Enforcement Funds are special revenue type funds.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Utility Plant	10-20 years
Water & Sewer Systems	10-20 years
Buildings	10-20 years
Machinery and Equipment	5-10 years

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

- a. Each February, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following April 1, and submits this proposed budget to the Township Board of Trustees at a special meeting in March.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at a subsequent board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied to the extent that they are measurable and available in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes).

The Township collects its own property taxes, and also collects property taxes for the County and School District within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2003 taxable valuation of the Township of Chassell amounted to \$33,759,695 on which ad valorem taxes of \$44,693 were levied for Township operating purposes (1.2496 mills) and \$68,767 for Township roads (1.9227). These amounts are recorded as revenue on the Township's records in and for the fiscal year ending March 31, 2004.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts.

INVENTORY

Inventory has not been recognized in any of the funds.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

NOTE B - CASH AND INVESTMENTS

CASH DEPOSITS

At March 31, 2004, the book value of the Township's demand deposits, consisting primarily of cash and cash equivalents, was \$985,570 with a corresponding bank balance of \$900,808. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$357,936 representing approximately 40% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$357,936 was insured and \$542,872 was neither insured nor collateralized.

INVESTMENTS

The investment of the Township's funds is governed by state statutes. In general, state statutes provide that the Township is authorized to invest its funds in certificates of deposit, savings accounts, and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities, and other obligations of the United States in which the principal and interest is fully guaranteed by the United States, and investments in commercial paper rated at prime at the time of purchase and which mature not more than 270 days after the date of purchase.

The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the entity's name.

The Township had no investments as of March 31, 2004. The Township does have an investment policy that meets state statutory regulations.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE C - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at March 31, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 30,341	Road Improvement	\$ 28,124
		Liquor Law	14
		Sewer	11,287
		Water Fund	20,546
SUB-TOTAL	30,341	SUB-TOTAL	59,971
Road Improvement	28,839	Road Improvement	9,308
Liquor Law Enforcement	14	Fire Fund	750
Sewer	11,287	Park & Recreation	2,346
Water	20,546	Liquor Law	150
		Sewer	6,275
		Water	9,381
		Tax Collection	2,846
TOTALS	\$ 91,027	TOTALS	\$ 91,027

NOTE D - WATER AND SEWER FUND FIXED ASSETS

Changes in the Water and Sewer Funds Fixed Assets in 2004 are as follows:

	<u>Balance 3/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Sewer Fund	\$ 1,139,264	\$ 24,292	\$ 0	\$ 1,163,556
Water Fund	1,518,034	240,082	0	1,758,116
TOTALS	\$ 2,657,298	\$ 264,374	\$ 0	\$ 2,921,672

NOTE E - LONG-TERM DEBT

Sewage Disposal Bonds - 1972 Issues

Sewage Disposal System revenue bonds were issued on May 18, 1972, in the amount of \$189,000 and on September 28, 1972 in the amount of \$140,000 for the purpose of acquiring and constructing the Township's sewage disposal system. These bonds are self-liquidating and are not a general obligation of the Township, but are payable both as to principal and interest solely from the revenues of the Sewage Disposal System. The bonds bear an interest rate of 4.75% for the May 18 issue and 5.00% for the September 28 issue per annum.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE E - LONG-TERM DEBT (Continued)

Bonds maturing in the years 1992 to 2011, are subject to redemption prior to maturity, in inverse numerical order, at the option of the Township, on any interest payment date after January 1, 1992 at par plus accrued interest. The payment schedule for the bonds is as follows:

SEWAGE DISPOSAL SYSTEM FUND
SCHEDULE OF SEWAGE DISPOSAL - 1972 ISSUE
SYSTEM REVENUE BONDS
March 31, 2004

Fiscal Year	Interest	January, 1 Principal	July, 1 Interest	Total
2004-05	\$ 2,825	\$ 15,000	\$ 2,825	\$ 20,650
2005-06	2,450	15,000	2,450	19,900
2006-07	2,075	16,000	2,075	20,150
2007-08	1,675	16,000	1,675	19,350
2008-09	1,275	17,000	1,275	19,550
2009-10	850	17,000	850	18,700
2010-11	425	16,000	425	16,850
TOTALS	\$ 11,575	\$ 112,000	\$ 11,575	\$ 135,150

Water Supply System Bonds

Water Supply System revenue bonds were issued on September 28, 1978, in the amount of \$275,000 for the purpose of acquiring and constructing improvements and additions to the Township's Water Supply System. The bonds are self-liquidating and are not a general obligation of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply System. The bonds bear an interest rate of 5.00% per annum.

Bonds maturing in the years 1992 to 2010, are subject to redemption prior to maturity, in inverse numerical order, at the option of the Township, on any interest payment date after January 1, 1992 at par plus accrued interest. The payment schedule for the bonds is as follows:

WATER SUPPLY SYSTEM FUND
SCHEDULE OF WATER SUPPLY SYSTEM REVENUE BONDS
March 31, 2004

Fiscal Year	Interest	January, 1 Principal	July, 1 Interest	Total
2004-05	\$ 1,389	\$ 5,000	\$ 1,389	\$ 7,778
2005-06	1,263	10,000	1,263	12,526
2006-07	1,010	10,000	1,010	12,020
2007-08	758	10,000	758	11,516
2008-09	505	10,000	505	11,010
2009-10	253	10,000	253	10,506
TOTALS	\$ 5,178	\$ 55,000	\$ 5,178	\$ 65,356

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE E - LONG-TERM DEBT (Continued)

2003 Water Supply System Junior Lien Revenue Bond

The 2003 Water Supply System Junior Lien Revenue Bond was issued on January 27, 2004, in the amount of \$940,000 for the purpose of acquiring and constructing improvements and additions to the Township's Water Supply System. The bonds are self-liquidating and are not a general obligation of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply System. The bonds bear an interest rate of 4.50% per annum.

Bonds maturing in the years 2004 to 2043, are subject to redemption prior to maturity, in inverse numerical order, at the option of the Township, on any interest payment date on or after May 1, 2004 at par plus accrued interest.

The proceeds from this bond issue are in the process of being distributed to the Township. Through March 31, 2004, \$686,000 of the revenue bond has been disbursed to the Township. The payment schedule for the amount of the bond is currently estimated as follows:

2003 JUNIOR LIEN
SCHEDULE OF WATER SUPPLY REVENUE BOND

March 31, 2004

Fiscal Year	Interest	January, 1 Principal	July, 1 Interest	Total
2004-2005	\$ 35,250	\$ 9,000	\$ 20,948	\$ 65,198
2005-2006	20,948	9,000	20,745	50,693
2006-2007	20,745	10,000	20,520	51,265
2007-2008	20,520	10,000	20,295	50,815
2008-2009	20,295	10,000	20,070	50,365
2009-2010	20,070	11,000	19,823	50,893
2010-2011	19,823	11,000	19,575	50,398
2011-2012	19,575	12,000	19,305	50,880
2012-2013	19,305	12,000	19,035	50,340
2013-2014	19,035	13,000	18,743	50,778
2014-2018	90,473	75,000	88,785	254,258
2019-2023	81,248	93,000	79,155	253,403
2024-2028	69,863	115,000	67,275	252,138
2029-2033	55,665	144,000	52,425	252,090
2034-2038	37,958	179,000	33,930	250,888
2039-2043	15,863	227,000	10,755	253,618
TOTALS	\$ 566,636	\$ 940,000	\$ 531,384	\$ 2,038,020

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE E - LONG-TERM DEBT (Continued)

SUMMARY SCHEDULE OF LONG-TERM DEBT

March 31, 2004

Fiscal Year	Interest	Principal	Total
2004-2005	\$ 64,626	\$ 29,000	\$ 93,626
2005-2006	49,119	34,000	83,119
2006-2007	47,435	36,000	83,435
2007-2008	45,681	36,000	81,681
2008-2009	43,925	37,000	80,925
2009-2010	42,099	38,000	80,099
2010-2011	40,248	27,000	67,248
2011-2012	38,880	12,000	50,880
2012-2013	38,340	12,000	50,340
2013-2014	37,778	13,000	50,778
2014-2018	179,258	75,000	254,258
2019-2023	160,403	93,000	253,403
2024-2028	137,138	115,000	252,138
2029-2033	108,090	144,000	252,090
2034-2038	71,888	179,000	250,888
2039-2043	26,618	227,000	253,618
TOTALS	\$ 1,131,526	\$ 1,107,000	\$ 2,238,526

The following is a summary of the changes in long-term debt principal for the year ended March 31, 2004:

	Balance 03/31/03	Additions	Reductions	Balance 03/31/04
Sewage Disposal Bond	\$ 125,000	\$ 0	\$ 13,000	\$ 112,000
Water Supply Bond - 1978	60,000	0	5,000	55,000
Water Supply Bond - 2004	0	254,000	0	254,000
TOTALS	\$ 185,000	\$ 254,000	\$ 18,000	\$ 421,000

NOTE F - BOND PAYMENT AND RESERVE REQUIREMENTS

The 1978 Water Supply System Revenue Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At March 31, 2004, there was \$19,548 in the Bond Reserve account which is in compliance with bond requirements.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE H - DEFINED CONTRIBUTION PLAN

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Fire Chief, Constable, Department of Public Works Employees working thirty hours or more per week, and elected Township officials are eligible to participate from their date of employment. For the Fire Chief, Constable, and elected officials, the policy requires a contribution equal to 4% of compensation from the employer and employee. For Department of Public Works Employees working 30 or more hours per week, the policy requires a contribution equal to 6% of compensation from the employer. Voluntary contributions may be made up to a maximum of 10% of annual compensation. Township contributions for each employee and interest allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any interest earnings, are fully vested at the time of the contribution or crediting of investment earnings. The Township made contributions amounting to \$5,049.

NOTE I - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Supervisor	\$4,350	\$4,527	(\$177)
Assessor	\$10,600	\$10,857	(\$257)
Town Hall	\$34,500	\$35,121	(\$621)
Fire Protection	\$600	\$647	(47)
Liquor Law Enforcement	\$620	\$652	(\$32)

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained two Enterprise Funds which provided water and sewer services. Segment information for the year ended March 31, 2004 is as follows:

	Sewer Fund	Water Fund
Operating Revenues	\$62,788	\$129,184
Depreciation	\$29,355	\$26,782
Operating Income (Loss)	\$(4,357)	\$63,080
Non-operating Revenue (Expense)	\$(5,070)	\$(2,312)
Net Income (Loss)	\$(9,427)	\$60,768
Property, Plant and Equipment:		
Additions	\$24,293	\$ 223,278
Net Working Capital (Deficit)	\$126,344	\$84,563
Total Assets	\$642,937	\$1,445,536
Total Equity	\$512,135	\$1,057,203

NOTE K - CONTINGENT LIABILITIES

Sewer System Improvements

The Township is applying for loan funding from the U.S. Department of Agriculture - Rural Development for sewer system improvements. The proposed project includes a new residential sewage collection system along Half Moon Beach Road, residential sewage pump upgrades along Lakeshore Drive, and improvements to the existing lagoons. The total estimated cost of the project is \$818,000, with \$718,000 loan proceeds and \$100,000 Township contribution.

Wellhead Protection

The Environmental Protection Agency (EPA), in conjunction with the Department of Environmental Quality (DEQ), is requiring all areas of government that provide water to the public to develop and implement a wellhead protection plan. The broad operational goals of wellhead protection are to provide a remedial action zone around a wellhead as a safety buffer against accidental contaminant releases; to create an attenuation zone in which known contaminants can be reduced before they reach the well; and to use wellfield management zones to regulate activities in the recharge area.

The Township will developed and is now implementing their Wellhead Protection Plan. The Township received a grant from the DEQ for \$11,250 for the project and the other \$11,250 will be paid out of the Water Fund. At the fiscal year end construction in progress was \$135,000 for the Well Head Construction Project and \$29,673 in the Wellhead Protection Plan.

TOWNSHIP OF CHASSELL
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - RECLASSIFICATION

Certain items in the March 2004 financial statements have been reclassified to conform with the current year presentation.

NOTE N - PRIOR PERIOD ADJUSTMENTS

Accounts Receivable and Pre-payments

During the year ended March 31, 2003, accounts receivable and pre-payments were understated in the Sewer and Water Funds. A prior period adjustment was made to correct receivables and pre-payments.

Fixed Assets

A prior period adjustment was done in the Sewer and Water Funds to adjust fixed assets and construction in progress activity from prior years to actual and to adjust depreciation for assets that were actually construction in progress.

As a result of the above, the following adjustments were made:

	Water Fund	Sewer Fund
Accounts Receivable	\$ 9,530	\$ 4,876
Land	902	0
Buildings	6,579	0
Construction in Progress	222,470	9,998
Accumulated Depreciation	6,189	0
Prepaid Charges	(16,179)	(2,454)
Depreciation	(2,527)	0
Increase in 3/31/03 Retained Earnings	<u>\$ 226,964</u>	<u>\$ 12,420</u>

SUPPLEMENTAL FINANCIAL INFORMATION

TOWNSHIP OF CHASSELL
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
Year Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
REVENUES:		
TAXES:		
Payments in lieu of tax (PILT)	\$ 3,789	\$ 3,789
Property tax	44,693	38,527
Commercial Forest Reserve (CFR)	-	189
Total taxes	<u>48,482</u>	<u>42,505</u>
STATE:		
State reimbursement	3,770	-
State shared revenues	141,853	154,926
Total state	<u>145,623</u>	<u>154,926</u>
ADMINISTRATION AND COLLECTION FEES	<u>14,359</u>	<u>12,239</u>
CHARGES FOR SERVICES:		
Cemetery fees	2,175	2,430
Garbage collection	56,563	56,293
Total charges for services	<u>58,738</u>	<u>58,723</u>
INTEREST	<u>3,067</u>	<u>5,074</u>
OTHER:		
Contributions	10,000	9,445
Rents and royalties	5,432	4,399
Zoning permits	629	428
Reimbursements	4,032	4,963
Franchise fees	5,020	4,962
Total other	<u>25,113</u>	<u>24,197</u>
TOTAL REVENUES	<u>295,382</u>	<u>297,664</u>
EXPENDITURES:		
TOWNSHIP BOARD:		
Salaries	2,587	2,400
Fees	1,207	1,236
Office supplies	833	851
Printing and publishing	1,634	703
Repairs and maintenance	535	175
Professional services	3,270	636
Miscellaneous	1,035	736
Total township board	<u>11,101</u>	<u>6,737</u>

TOWNSHIP OF CHASSELL
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(Continued)
Year Ended March 31, 2004 and 2003

	2004	2003
SUPERVISOR:		
Salaries	\$ 4,527	\$ 4,200
ELECTIONS:		
Supplies, materials, and other	-	494
Printing and publishing	-	174
Contracted services	-	1,870
Total elections	-	2,538
ASSESSOR:		
Supplies, materials, and other	10,857	9,710
CLERK:		
Salaries	780	1,379
Supplies, materials, and other	8,520	7,860
Office supplies	651	804
Travel expenses	230	110
Total clerk	10,181	10,153
BOARD OF REVIEW:		
Office supplies	-	102
Contracted services	900	850
Total board of review	900	952
TREASURER:		
Salaries	10,421	9,515
Office supplies	1,068	2,585
Printing and publishing	3,364	90
Total treasurer	14,853	12,190
TOWN HALL:		
Salaries	18,139	15,093
Employee benefits	7,398	5,865
Supplies, materials, and other	950	1,159
Utilities	8,214	6,842
Repairs and maintenance	-	671
Miscellaneous	420	504
Total town hall	35,121	30,134

TOWNSHIP OF CHASSELL
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(Continued)
Year Ended March 31, 2004 and 2003

	2004	2003
CEMETERY:		
Salaries	1,464	1,375
Supplies, materials, and other	128	420
Utilities	125	297
Repairs and maintenance	80	75
Contracted services	600	600
Total cemetery	2,397	2,767
CONSTABLE:		
Salaries	647	600
FIRE PROTECTION:		
Salaries	1,318	1,200
Fees	-	-
Supplies, materials, and other	3,967	3,666
Utilities	734	670
Travel expenses	2,250	2,375
Repairs and maintenance	301	4,561
Total fire protection	8,570	12,472
DEPARTMENT OF PUBLIC WORKS AND STREETS:		
Salaries	2,602	2,326
Supplies, materials, and other	1,226	1,542
Utilities	10,331	9,014
Repairs and maintenance	2,408	6,756
Contracted services	11,025	15,901
Miscellaneous	-	8
Total department of public works and streets	27,592	35,547
SANITATION/GARBAGE:		
Salaries	12,977	12,149
Supplies, materials, and other	3,616	2,232
Repairs and maintenance	485	1,890
Contracted services	28,931	32,092
Miscellaneous	2,298	117
Total sanitation/garbage	48,307	48,480
ZONING:		
Supplies, materials, and other	-	79
Contracted services	1,500	1,500
Total zoning	1,500	1,579

TOWNSHIP OF CHASSELL
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(Continued)
Years Ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
RECREATION:		
Salaries	5,968	6,665
Supplies, materials, and other	1,779	1,801
Utilities	2,616	2,475
Repairs and maintenance	4,929	1,111
Contracted services	1,835	150
Capital outlay	175	9,445
Miscellaneous	-	312
Total recreation	<u>17,302</u>	<u>21,959</u>
OTHER ACTIVITIES:		
Payroll taxes	6,513	7,040
Employee benefits	5,220	4,042
Insurance	12,302	10,425
Professional services	4,750	4,500
Capital outlay	19,088	9,294
Miscellaneous	1,539	2,197
Total other activities	<u>49,412</u>	<u>37,498</u>
TOTAL EXPENDITURES	<u>243,267</u>	<u>237,516</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,115	60,148
FUND BALANCE, BEGINNING OF YEAR	440,498	380,350
FUND BALANCE, END OF YEAR	<u>\$ 492,613</u>	<u>\$ 440,498</u>

TOWNSHIP OF CHASSELL
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS - ALL SPECIAL REVENUE FUNDS
Year Ended March 31, 2004
With Comparative Totals for Year Ended March 31, 2003

	Road Improvement Fund	Fire Protection Fund	Park and Recreation Fund	Liquor Law Enforcement	Totals (Memorandum Only)	
					2004	2003
ASSETS:						
Cash	\$ 104,395	\$ 11,699	\$ 32,878	\$ 1,753	\$ 150,725	\$ 108,581
Taxes receivable	5,633	-	-	-	5,633	6,435
Due from other funds	28,839	-	-	14	28,853	-
TOTAL ASSETS	\$ 138,867	\$ 11,699	\$ 32,878	\$ 1,767	\$ 185,211	\$ 115,016
LIABILITIES:						
Due to other funds	\$ 9,308	\$ 750	\$ 2,346	\$ 150	\$ 12,554	\$ 4,468
Accrued salaries	-	-	-	43	43	-
Accrued expenses	-	-	-	3	3	-
Deferred revenue	5,633	-	-	-	5,633	6,435
TOTAL LIABILITIES	14,941	750	2,346	196	18,233	10,903
FUND EQUITY:						
Fund balance	123,926	10,949	30,532	1,571	166,978	99,777
Reserved fund balance	-	-	-	-	-	4,336
TOTAL FUND EQUITY	123,926	10,949	30,532	1,571	166,978	104,113
TOTAL LIABILITIES AND FUND EQUITY	\$ 138,867	\$ 11,699	\$ 32,878	\$ 1,767	\$ 185,211	\$ 115,016

TOWNSHIP OF CHASSELL
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
Year Ended March 31, 2004
With Comparative Totals for Year Ended March 31, 2003

	Road Improvement Fund	Fire Protection Fund	Park and Recreation Fund	Liquor Law Enforcement	Totals (Memorandum Only)	
					2004	2003
REVENUES:						
Taxes	\$ 69,231	\$ -	\$ -	\$ -	\$ 69,231	\$ 59,595
State	-	-	-	850	850	578
Interest	610	104	370	14	1,098	2,037
Other	-	-	-	-	-	7,514
TOTAL REVENUES	69,841	104	370	864	71,179	69,724
EXPENDITURES:						
Salaries	-	-	-	647	647	600
Supplies, materials, and other	-	-	-	-	-	6,660
Bank charges	301	49	-	5	355	331
Contracted services	-	-	127	-	127	87
Repairs and maintenance	4,839	-	-	-	4,839	102,439
Capital outlay	-	-	2,346	-	2,346	-
TOTAL EXPENDITURES	5,140	49	2,473	652	8,314	110,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	64,701	55	(2,103)	212	62,865	(40,393)
OTHER FINANCING SOURCES (USES):						
Gain on sale of investments	-	-	-	-	-	1,503
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	64,701	55	(2,103)	212	62,865	(38,890)
FUND BALANCE, BEGINNING OF YEAR	59,225	10,894	32,635	1,359	104,113	143,003
FUND BALANCE, END OF YEAR	\$ 123,926	\$ 10,949	\$ 30,532	\$ 1,571	\$ 166,978	\$ 104,113

TOWNSHIP OF CHASSELL
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS
Year Ended March 31, 2004
With Comparative Totals for Year Ended March 31, 2003

	Sewer Fund	Water Fund	Totals (Memorandum Only)	
			2004	2003
ASSETS:				
Cash	\$ 113,714	\$ 120,935	\$ 234,649	\$ 164,714
Accounts receivable	8,004	15,523	23,527	18,304
Due from other funds	11,287	20,546	31,833	50,000
Restricted assets:				
Cash	27,141	20,892	48,033	47,794
Fixed assets	1,163,556	1,758,116	2,921,672	2,657,298
Accumulated depreciation	(680,765)	(490,476)	(1,171,241)	(1,115,103)
TOTAL ASSETS	\$ 642,937	\$ 1,445,536	\$ 2,088,473	\$ 1,823,007
LIABILITIES:				
Accounts payable	\$ -	\$ 50,675	\$ 50,675	\$ 1,823
Prepaid service charges	8,866	17,290	26,156	24,800
Due to other funds	6,275	9,381	15,656	88,988
Current maturities on bond payable	15,000	14,000	29,000	17,000
Bonds payable - net of current maturities	97,000	295,000	392,000	168,000
Accrued salaries	2,175	1,932	4,107	1,933
Accrued expenses	1,486	55	1,541	2,469
TOTAL LIABILITIES	130,802	388,333	519,135	305,013
FUND EQUITY:				
Contributed capital	246,582	187,026	433,608	453,818
Retained earnings	265,553	870,177	1,135,730	1,064,180
TOTAL FUND EQUITY	512,135	1,057,203	1,569,338	1,517,994
TOTAL LIABILITIES AND FUND EQUITY	\$ 642,937	\$ 1,445,536	\$ 2,088,473	\$ 1,823,007

TOWNSHIP OF CHASSELL
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
Year Ended March 31, 2004
With Comparative Totals for March 31, 2003

	Sewer Fund	Water Fund	Totals (Memorandum Only)	
			2004	2003
OPERATING REVENUES:				
State	\$ -	\$ 9,330	\$ 9,330	\$ -
Charges for services	57,346	112,219	169,565	171,502
Connection fees	-	780	780	720
Other	5,442	6,855	12,297	7,079
TOTAL OPERATING REVENUES	62,788	129,184	191,972	179,301
EXPENSES:				
Salaries	16,484	19,953	36,437	31,709
Employee benefits	5,503	5,920	11,423	8,369
Supplies, materials, and other	850	-	850	1,512
Office supplies	404	2,973	3,377	2,978
Utilities	8,004	1,726	9,730	6,028
Printing and publishing	111	1,766	1,877	652
Insurance	3,544	1,859	5,403	4,564
Repairs and maintenance	989	2,651	3,640	4,309
Professional services	1,000	975	1,975	4,289
Contracted services	-	330	330	554
Depreciation	29,355	26,782	56,137	54,920
Miscellaneous	901	1,169	2,070	2,823
TOTAL EXPENSES	67,145	66,104	133,249	122,707
OPERATING INCOME(LOSS)	(4,357)	63,080	58,723	56,594
NON-OPERATING REVENUES (EXPENSES):				
Interest	1,030	688	1,718	3,264
Interest expense	(6,100)	(3,000)	(9,100)	(10,714)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,070)	(2,312)	(7,382)	(7,450)
NET INCOME(LOSS)	(9,427)	60,768	51,341	49,144
RETAINED EARNINGS, BEGINNING OF YEAR	263,173	801,007	1,064,180	994,827
ADJUSTMENTS TO FUND EQUITY:				
Add depr on F/A acq w/ contributed capital	11,807	8,402	20,209	20,209
RETAINED EARNINGS, END OF YEAR	\$ 265,553	\$ 870,177	\$ 1,135,730	\$ 1,064,180

CHASSELL TOWNSHIP
COMBINING STATEMENTS OF CASH FLOWS
ALL ENTERPRISE FUNDS

Year Ended March 31, 2004

With Comparative Totals for Year Ended March 31, 2003

	Sewer Fund	Water Fund	TOTALS (Memorandum Only)	
			2004	2003
RECONCILIATION OF OPERATING				
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (4,357)	\$ 63,080	\$ 58,723	\$ 54,067
Adjustments to Reconcile Operating				
Income to Net Cash Provided by Operating Activities:				
Depreciation	29,355	26,782	56,137	57,447
(Increase) Decrease in accounts receivable	(1,899)	(3,324)	(5,223)	(1,451)
(Increase) Decrease in due from other funds	38,713	(20,546)	18,167	0
Increase (Decrease) in accounts payable	0	48,852	48,852	922
Increase (Decrease) in due to other funds	(21,260)	(52,072)	(73,332)	35,057
Increase (Decrease) in accrued expenses	1,106	144	1,250	(683)
Increase (Decrease) in prepaid charges	424	932	1,356	(1,173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	42,082	63,848	105,930	144,186
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from long-term debt	0	254,000	254,000	
Reductions of long-term debt	(13,000)	(5,000)	(18,000)	(46,000)
Interest paid on long-term debt	(6,100)	(3,000)	(9,100)	(10,714)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(19,100)	246,000	226,900	(56,714)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	(24,292)	(240,082)	(264,374)	(104,169)
Interest on investments and deposits	1,030	688	1,718	3,264
NET CASH FLOWS FROM INVESTING ACTIVITIES	(23,262)	(239,394)	(262,656)	(100,905)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(280)	70,454	70,174	(13,433)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	141,135	71,373	212,508	225,941
CASH AND RESTRICTED CASH, END OF YEAR	\$ 140,855	\$ 141,827	\$ 282,682	\$ 212,508

TOWNSHIP OF CHASSELL
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

TAX COLLECTION FUND

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 3,798	\$ 1,163,370	\$ 1,152,134	\$ 15,034
TOTAL ASSETS	<u>\$ 3,798</u>	<u>\$ 1,163,370</u>	<u>\$ 1,152,134</u>	<u>\$ 15,034</u>
LIABILITIES:				
Due to other funds	\$ 29	\$ 115,388	\$ 112,705	\$ 2,712
Due to other governmental units	<u>3,769</u>	<u>1,047,982</u>	<u>1,039,429</u>	<u>12,322</u>
TOTAL LIABILITIES	<u>\$ 3,798</u>	<u>\$ 1,163,370</u>	<u>\$ 1,152,134</u>	<u>\$ 15,034</u>

DELINQUENT TAX COLLECTION FUND

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 1	\$ 11,065	\$ 7,746	\$ 3,320
TOTAL ASSETS	<u>\$ 1</u>	<u>\$ 11,065</u>	<u>\$ 7,746</u>	<u>\$ 3,320</u>
LIABILITIES:				
Due to other funds	\$ -	\$ 813	\$ 680	\$ 133
Due to other governmental units	<u>1</u>	<u>10,252</u>	<u>7,066</u>	<u>3,187</u>
TOTAL LIABILITIES	<u>\$ 1</u>	<u>\$ 11,065</u>	<u>\$ 7,746</u>	<u>\$ 3,320</u>

TOTAL FUNDS

	Balance 3/31/03	Additions	Deductions	Balance 3/31/04
ASSETS:				
Cash	\$ 3,799	\$ 1,174,435	\$ 1,159,880	\$ 18,354
TOTAL ASSETS	<u>\$ 3,799</u>	<u>\$ 1,174,435</u>	<u>\$ 1,159,880</u>	<u>\$ 18,354</u>
LIABILITIES:				
Due to other funds	\$ 29	\$ 116,201	\$ 113,385	\$ 2,845
Due to other governmental units	<u>3,770</u>	<u>1,058,234</u>	<u>1,046,495</u>	<u>15,509</u>
TOTAL LIABILITIES	<u>\$ 3,799</u>	<u>\$ 1,174,435</u>	<u>\$ 1,159,880</u>	<u>\$ 18,354</u>



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LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Township of Chassell
Chassell, Michigan

We have audited the general purpose financial statements of the Township of Chassell, for the year ended March 31, 2004, and have issued our report thereon dated June 16, 2004. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by generally accepted auditing standards.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

General Fixed Assets

A General Fixed Assets group of accounts should be established for the Township. This would include an inventory of all Township properties owned, segregated by land, buildings, and equipment, priced at cost or an appraised value where actual costs are difficult or impossible to determine. This would not include fixed assets for proprietary funds, which are already recorded.

Michigan Department of Treasury will require financial statements to follow Governmental Accounting Standards Board Statement No. 34 (GASB 34). One of the major changes GASB 34 requires is that government-wide financial statements will be prepared using full accrual accounting. This change will require townships to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements. Although the implementation of GASB 34 is not required until financial statements for fiscal year March 31, 2005, implementation affects the first date of that fiscal year.

Insured Deposits

We noted that approximately forty percent (40%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to increase the percent of deposits insured and to decrease the risk of loss to the Township.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Supervisor	\$4,350	\$4,527	(\$177)
Assessor	\$10,600	\$10,857	(\$257)
Town Hall	\$34,500	\$35,121	(\$621)
Fire Protection	\$600	\$647	(47)
Liquor Law Enforcement	\$620	\$652	(\$32)

We recommend that timely revisions be made to the budget so that these over expenditures do not occur in the future.

Board Minutes Documentation

At the first meeting of the year, authorization of the Township's public depositories (banks) and attorney was noted in the minutes. At the same time, check signers should be authorized and noted in the minutes.

It is also important, when adopting or amending the budget, to state the total revenues and expenditures approved.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkila, CPA, PC
Certified Public Accountants

June 16, 2004